

103D CONGRESS
1ST SESSION

H. R. 306

To amend the Internal Revenue Code of 1986 and title II of the Social Security Act to reduce social security taxes and to provide for the establishment of individual social security retirement accounts funded by payroll deductions and employer contributions equal to the amount of the tax reduction.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. PORTER introduced the following bill; which was referred jointly to the Committees on Ways and Means and Education and Labor

A BILL

To amend the Internal Revenue Code of 1986 and title II of the Social Security Act to reduce social security taxes and to provide for the establishment of individual social security retirement accounts funded by payroll deductions and employer contributions equal to the amount of the tax reduction.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Individual Social Secu-
5 rity Retirement Account Act of 1993”.

1 **SEC. 2. REDUCTION OF SOCIAL SECURITY TAXES.**

2 (a) TAX ON EMPLOYEES.—Subsection (a) of section
 3 3101 of the Internal Revenue Code of 1986 (relating to
 4 OASDI tax on employees) is amended by striking the table
 5 and inserting the following:

“In cases of wages received during:	The rate shall be:
1993 or 1994	6.2 percent
1995 or thereafter	5.2 percent.”

6 (b) TAX ON EMPLOYERS.—Subsection (a) of section
 7 3111 of such Code (relating to OASDI tax on employers)
 8 is amended by striking the table and inserting the follow-
 9 ing:

“In cases of wages paid during:	The rate shall be:
1993 or 1994	6.2 percent
1995 or thereafter	5.2 percent.”

10 (c) TAX ON SELF-EMPLOYED.—Subsection (a) of
 11 section 1401 of such Code of (relating to OASDI tax on
 12 self-employment income) is amended by striking the table
 13 and inserting the following:

“In the case of a taxable year:		
Beginning after:	And before:	Percent:
December 31, 1992	January 1, 1995	12.4
December 31, 1994	10.4.”

14 (d) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply with respect to remuneration paid
 16 after December 31, 1994, and with respect to earnings
 17 from self-employment attributable to taxable years begin-
 18 ning after such date.

1 **SEC. 3. INDIVIDUAL SOCIAL SECURITY RETIREMENT AC-**
2 **COUNTS FUNDED BY SOCIAL SECURITY PAY-**
3 **ROLL DEDUCTION PLANS.**

4 (a) IN GENERAL.—Title II of the Social Security Act
5 is amended—

6 (1) by inserting before section 201 the follow-
7 ing:

8 “PART A—INSURANCE BENEFITS”;

9 and

10 (2) by adding at the end the following new part:

11 “PART B—INDIVIDUAL RETIREMENT PROGRAM

12 “SOCIAL SECURITY PAYROLL DEDUCTION PLANS

13 “SEC. 251. (a) IN GENERAL.—Each person who is
14 a covered employer for any calendar year shall have in
15 effect throughout such calendar year a social security pay-
16 roll deduction plan for such person’s eligible employees.

17 “(b) REQUIREMENTS.—For purposes of this part, the
18 term ‘social security payroll deduction plan’ means a writ-
19 ten plan of a covered employer if—

20 “(1) under such plan, the prescribed social se-
21 curity employee contribution is deducted from each
22 eligible employee’s wages and paid to an individual
23 social security retirement account of such employee
24 designated in accordance with section 252,

25 “(2) under such plan, the covered employer
26 pays the amount so deducted to the designated indi-

1 vidual social security retirement account within 10
2 business days after the payment of the wages from
3 which the amount was deducted,

4 “(3) under such plan, the covered employer
5 pays to the individual social security retirement ac-
6 count, together with the contribution paid pursuant
7 to paragraph (2), the prescribed social security em-
8 ployer contribution with respect to the eligible em-
9 ployee, and

10 “(4) the employer receives no compensation for
11 the cost of administering such plan.

12 “(c) AMOUNT DEDUCTED MAY BE ACCUMULATED
13 BY EMPLOYER IN CERTAIN CASES.—If, under the terms
14 of an individual social security retirement account selected
15 under section 252, contributions below a specified amount
16 will not be accepted, the requirements of subsection (b)(2)
17 shall be treated as met if amounts deducted from the
18 wages of an eligible employee are accumulated by the cov-
19 ered employer and paid to such plan not later than 10
20 business days after the first day on which the accumulated
21 amount exceeds such specified amount.

22 “DESIGNATION OF INDIVIDUAL SOCIAL SECURITY
23 RETIREMENT ACCOUNTS

24 “SEC. 252. (a) IN GENERAL.—Except as provided in
25 subsection (b), the individual social security retirement ac-
26 count to which contributions with respect to any eligible

1 employee are required to be paid under section 251 shall
2 be such an account designated by such employee to such
3 employer not later than 10 business days after the date
4 on which such employee becomes an eligible employee of
5 such employer. Any such designation shall be made in
6 such form and manner as may be prescribed in regula-
7 tions of the Secretary.

8 “(b) DESIGNATION IN ABSENCE OF TIMELY DES-
9 IGNATION BY EMPLOYEE.—In any case in which no timely
10 designation of the individual social security retirement ac-
11 count is made, the covered employer shall designate such
12 account in accordance with regulations of the Secretary.

13 “(c) SUBSEQUENT DESIGNATION OF OTHER AC-
14 COUNTS.—The Secretary shall provide by regulation for
15 subsequent designation of other individual social security
16 retirement accounts of an eligible employee in lieu of or
17 in addition to accounts previously designated under this
18 section.

19 “SELF-EMPLOYED INDIVIDUALS

20 “SEC. 253. (a) IN GENERAL.—Not later than 30
21 days after the close of any taxable year for which there
22 is imposed a tax under section 1401(a) of the Internal
23 Revenue Code of 1986 on the self-employment income of
24 an individual, such individual shall pay to an individual
25 social security retirement account designated by such indi-
26 vidual the prescribed social security self-employment con-

1 tribution with respect to such individual for such taxable
2 year.

3 “(b) DESIGNATION OF ACCOUNT.—The designation
4 of an individual social security retirement account for pay-
5 ment of prescribed social security self-employment con-
6 tributions shall be made in such form and manner as may
7 be prescribed in regulations of the Secretary.

8 “DEFINITIONS

9 “SEC. 254. For purposes of this part—

10 “(1) INDIVIDUAL SOCIAL SECURITY RETIRE-
11 MENT ACCOUNT.—The term ‘individual social secu-
12 rity retirement account’ means any individual retire-
13 ment account (as defined in section 408(a) of the
14 Internal Revenue Code of 1986) which is adminis-
15 tered or issued by a bank (as defined in section
16 408(n) of such Code) and which meets the require-
17 ments of section 408A of such Code.

18 “(2) COVERED EMPLOYER.—The term ‘covered
19 employer’ means, for any calendar year, any person
20 on whom an excise tax is imposed under section
21 3111 of the Internal Revenue Code of 1986 with re-
22 spect to having an individual in his employ to whom
23 wages were paid by such person during such cal-
24 endar year.

25 “(3) ELIGIBLE EMPLOYEE.—The term ‘eligible
26 employee’ means, in connection with any person who

1 is a covered employer for any calendar year, any in-
2 dividual with respect to whose employment by such
3 employer during such calendar year there is imposed
4 an excise tax under section 3111 of the Internal
5 Revenue Code of 1986.

6 “(4) PRESCRIBED SOCIAL SECURITY EMPLOYEE
7 CONTRIBUTION.—The term ‘prescribed social secu-
8 rity employee contribution’ means, with respect to
9 any eligible employee of a covered employer, an
10 amount equal to 1 percent of the wages received by
11 such employee with respect to employment by such
12 employer.

13 “(5) PRESCRIBED SOCIAL SECURITY EMPLOYER
14 CONTRIBUTION.—The term ‘prescribed social secu-
15 rity employer contribution’ means, with respect to a
16 covered employer of any eligible employee, 1 percent
17 of the wages paid by such employer to such em-
18 ployee with respect to employment of such employee.

19 “(6) PRESCRIBED SOCIAL SECURITY SELF-
20 EMPLOYMENT CONTRIBUTION.—The term ‘pre-
21 scribed social security self-employment contribution’
22 means, with respect to the self-employment income
23 of an individual for any taxable year, 2 percent of
24 the amount of such self-employment income for such
25 taxable year.

1 “(7) BUSINESS DAY.—The term ‘business day’
2 means any day other than a Saturday, Sunday, or
3 legal holiday in the area involved.

4 “PENALTIES

5 “SEC. 255. (a) FAILURE TO ESTABLISH SOCIAL SE-
6 curity PAYROLL DEDUCTION PLAN.—Any covered em-
7 ployer who fails to meet the requirements of section 251
8 for any calendar year shall be subject to a civil penalty
9 of not to exceed the greater of—

10 “(1) \$50,000, or

11 “(2) \$1,000 for each eligible employee of such
12 employer as of the beginning of such calendar year.

13 “(b) FAILURE TO MAKE DEDUCTIONS REQUIRED
14 UNDER PLAN.—Any covered employer who fails to timely
15 deduct in full the amount from the wages of an eligible
16 employee required under an applicable social security pay-
17 roll deduction plan shall be subject to a civil penalty of
18 not to exceed \$50 for each such failure.

19 “(c) FAILURE TO PAY DEDUCTED WAGES TO INDIV-
20 idual SOCIAL SECURITY RETIREMENT ACCOUNT.—If
21 an amount deducted from the wages of an eligible em-
22 ployee under a social security payroll deduction plan is not
23 timely paid in full to the designated individual social secu-
24 rity retirement account in accordance with section 251—

1 “(1) the covered employer failing to make such
2 payment shall be subject to a civil penalty of not to
3 exceed 20 percent of the unpaid amount, and

4 “(2) shall be liable to the eligible employee for
5 interest on the unpaid amount at a rate equal to
6 133 percent of the Federal short-term rate under
7 section 1274(d)(1) of the Internal Revenue Code of
8 1986, calculated from the last day by which such
9 amount was required to be so paid to the date on
10 which such amount is paid into the designated indi-
11 vidual social security retirement account.

12 “(d) FAILURE TO PAY PRESCRIBED SOCIAL SECU-
13 RITY SELF-EMPLOYMENT CONTRIBUTIONS TO INDIVID-
14 UAL SOCIAL SECURITY RETIREMENT ACCOUNT.—Any in-
15 dividual failing to timely pay in full a prescribed social
16 security self-employment contribution to a designated indi-
17 vidual social security retirement account as required under
18 section 253 shall be subject to a civil penalty of not to
19 exceed 20 percent of the unpaid amount, plus interest on
20 the unpaid amount at a rate equal to 133 percent of the
21 Federal short-term rate under section 1274(d)(1) of the
22 Internal Revenue Code of 1986, calculated from the last
23 day by which such amount was required to be so paid to
24 the date on which such amount is paid into the designated
25 individual social security retirement account.

1 “(e) RULES FOR APPLICATION OF SECTION.—

2 “(1) PENALTIES ASSESSED BY SECRETARY.—

3 Any civil penalty assessed by this section shall be
4 imposed by the Secretary and collected in a civil
5 action.

6 “(2) COMPROMISES.—The Secretary may com-
7 promise the amount of any civil penalty imposed by
8 this section.

9 “(3) AUTHORITY TO WAIVE PENALTY IN CER-
10 TAIN CASES.—The Secretary may waive the applica-
11 tion of this section with respect to any failure if the
12 Secretary determines that such failure is due to rea-
13 sonable cause and not to intentional disregard of
14 rules and regulations.”.

15 (b) AMOUNTS DEDUCTED TO BE SHOWN ON W-2
16 STATEMENTS.—Subsection (a) of section 6051 of the In-
17 ternal Revenue Code of 1986 (relating to receipts for em-
18 ployees) is amended—

19 (1) by striking “and” at the end of paragraph
20 (8),

21 (2) by striking the period at the end of para-
22 graph (9) and inserting “, and”, and

23 (3) by inserting after paragraph (9) the follow-
24 ing new paragraph:

1 “(10) the total amount deducted from the em-
2 ployee’s wages under a social security payroll deduc-
3 tion plan established under part B of title II of the
4 Social Security Act.”

5 (c) EXEMPTION FROM ERISA REQUIREMENTS.—
6 Subsection (b) of section 4 of the Employee Retirement
7 Income Security Act of 1974 (29 U.S.C. 1003(b)) is
8 amended—

9 (1) by striking “or” at the end of paragraph
10 (4);

11 (2) by striking the period at the end of para-
12 graph (5) and inserting “; or”; and

13 (3) by adding at the end the following new
14 paragraph:

15 “(6) such plan is a social security payroll de-
16 duction plan established under part B of title II of
17 the Social Security Act.”.

18 (d) EFFECTIVE DATE.—

19 (1) IN GENERAL.—The amendments made by
20 subsection (a) shall apply with respect to wages paid
21 in calendar years beginning on or after January 1,
22 1995.

23 (2) TRANSITIONAL RULE.—Notwithstanding
24 section 252(a) of the Social Security Act (as added
25 by this Act), the initial designations of individual so-

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by inserting after section 408 the following new section:

“(a) GENERAL RULE.—Except as provided in this section, an individual social security retirement account shall be treated for purposes of this title in the same manner as an individual retirement plan.

24 “(c) CONTRIBUTION RULES.—

1 “(1) NO DEDUCTION ALLOWED.—No deduction
2 shall be allowed under section 219 for a contribution
3 to an individual social security retirement account.

4 “(2) CONTRIBUTION LIMIT.—No amount, other
5 than a prescribed contribution under part B of title
6 II of the Social Security Act, may be accepted as a
7 contribution to an individual social security retire-
8 ment account.

9 “(d) TREATMENT OF ROLLOVERS.—Section
10 408(d)(3)(A)(i) shall apply to any amount distributed
11 from an individual social security retirement account only
12 to the extent such amount is paid into another such ac-
13 count for the benefit of the individual for whom the ac-
14 count from which such amount is transferred was main-
15 tained.”

16 (b) CLERICAL AMENDMENT.—The table of sections
17 for such subpart A is amended by inserting after the item
18 relating to section 408 the following new item:

 “Sec. 408A. Individual social security retirement accounts.”

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 1994.

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